

Message Text

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ACTION NEA-10

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FM AMEMBASSY RABAT

TO SECSTATE WASHDC 9845

INFO AMEMBASSY ALGIERS

AMCONSUL CASABLANCA

AMEMBASSY MADRID

AMEMBASSY NOUAKCHOTT

AMCONSUL TANGIER

C O N F I D E N T I A L RABAT 5127

E.O. 11652: GDS

TAGS: EFIN MO

SUBJECT: RESULTS OF SAHARA LOAN

SUMMARY. OFFICIAL CONCLUSION OF SAHARA LOAN OPERATION BROUGHT FORTH CONSIDERABLE OPPOSITION PARTY REACTION AND PRIVATE GRUMBLING WHICH GOM SOUGHT TO NEUTRALIZE BY PRONOUNCING OPERATION COMPLETE SUCCESS, JUSTIFYING GENERAL GOM FINANCE POLICY, AND EMPHASIZING NEED FOR ONGOING AND PLANNED DEVELOPMENTAL PROJECTS DESPITE PERIOD OF FINANCIAL STRINGENCY. END SUMMARY.

1. BEGIN UNCLASSIFIED. OFFICIALLY PROCLAIMED SEPTEMBER 10 END TO SAHARA LOAN OPERATION BROUGHT FORTH CONSIDERABLE REACTION ON THE PART OF OPPOSITION PRESS-- TYPICAL OF WHICH WAS ORGAN OF COMMUNIST PROGRESSIVE SOCIALIST PARTY (PPS)--AS TO EQUITY OF CONTRIBUTIONS BORNE BY VARIOUS SEGMENTS OF POPULATION. AL BAYANE EDITORIAL OF 9 SEPTEMBER POINTED OUT THAT WHILE THERE IS COMMON CAUSE REGARDING RECOVERY OF NATIONAL SOVEREIGNTY OVER SAHARA, TOILING MASSES SHOULD NOT BE EXPECTED TO
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BEAR DISPROPORTIONATE SHARE OF OVERALL FINANCIAL BURDEN

EVEN THOUGH THEY CONSTITUTE OVERWHELMING MAJORITY OF POPULATION. EDITORIAL STATED THAT BANKS, INSURANCE COMPANIES, INDUSTRIAL, COMMERCIAL AND FINANCIAL INSTITUTIONS--WHO HAVE BENEFITTED MOST SINCE INDEPENDENCE-- SHOULD CONTRIBUTE PRINCIPAL SUMS TO MEET NATIONAL GOALS. WORKERS, LIVING FROM HAND TO MOUTGH AND FACED WITH RISING COST OF LIVING, ALREADY SUFFER UNDER BURDEN OF HEAVY INDIRECT TAXES. ALLUDING TO TAX FREE ASPECT OF SAHARA BONDS, EDITORIAL NOTED THAT ONLY SEGMENT OF POPULATION ALREADY ENJOYING TAX SHELTERS IS THE RICH. THUS, TIME HAS COME FOR AN ACCOUNTING. EDITORIAL THEN CALLED ON GOVERNMENT TO SPECIFY TOTAL SUM COLLECTED, IDENTIFYING PORTION COLLECTED FROM BANKS, INSURANCE COMPANIES, AND INDUSTRIAL AND COMMERCIAL ORGANIZATIONS; SHARE BORNE BY ARTISANS AND SMALL FARMERS AND MERCHANTS AND MID-LEVEL CIVIL SERVANTS; AND SHARE ASSUMED BY CITIES AND RURAL POPULATIONS, GIVING BREAKDOWN BETWEEN RICH AND POOR; AND PORTION SUBSCRIBED BY CITIES SUCH AS CASABLANCA, AGADIR AND FES WHICH CONTAIN COUNTRY'S LEADING ECONOMIC ORGANIZATIONS.

2. AFTER CONSIDERABLE DELAY, SEMI-OFFICIAL MAROC SOIR RESPONDED ON 18 SEPTEMBER CLAIMING THAT RESULTS OF SAHARA LOAN OPERATION HAD EXCEEDED NATIONAL GOAL OF 1.0 BILLION DIRHAMS TO REACH DH 1.08 BILLION (\$240 MILLION). IN SAME ARTICLE MAROC SOIR REPORTED SESSION OF COUNCIL OF MINISTERS CHAIRED BY PRIME MINISTER OSMAN, AT WHICH FINANCE MINISTER BENSLIMAME GAVE FOUR HOUR PRESENTATION ON STATE OF ECONOMY--REPORTEDLY CONCLUDING FIRST DRAFT OF 1977 CENTRAL GOVERNMENT BUDGET. FINMIN SAID TO HAVE INFORMED COUNCIL OF HIS SATISFACTION AT SUCCESS OF LOAN OPERATION, ADDING THAT FINANCIAL OUTLOOK FOR BOTH 1976 AND 1977 IS FAVORABLE. WHILE ADMITTING THAT COUNTRY FACING CONSIDERABLE COMMERICAL DEFICIT DURING UPCOMING FISCAL YEAR, FINMIN POINTED OUT THAT THIS MUST BE EXPECTED IF DEVELOPMENTAL PROJECTS ARE TO GO AHEAD AS PLANNED. MINISTER ALSO PRONOUNCED BUDGETARY AND BALANCE OF PAYMENTS POSITION FOR REST OF 1976 AND 1977 IN SOUND SHAPE. END UNCLASSIFIED.

3. BEGIN CONFIDENTIAL. COMMENT. AS ISSUES RAISED BY CONFIDENTIAL

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OPPOSITION PRESS NOT DIRECTLY ADDRESSED, EMBASSY DOES NOT CONSIDER SEPTEMBER 17 COUNCIL MEETING AND MAROC SOIR TREATMENT AS RESPONSE TO PPOSITION REACTION OVER SAHARA LOAN ISSUE. HOWEVER, COUNCIL SESSION CLEARLY SERVED AS VEHICLE TO GIVE CREDIBILITY TO GOM FINANCIAL POLICY. FOUR HOUR COUNCIL DISCUSSION OF CURRENT STATE OF MOROCCAN ECONOMY, COUPLED WITH ADMISSION OF ANTICIPATED TRADE DEFICIT OF CONSIDERABLE MAGNITUDE, SUGGESTS THAT BOTH

GOVERNMENT AND OPPOSITION AGREE ON FACT THAT ECONOMIC PROBLEMS OF SOME URGENCY ARE CONFRONTING COUNTRY AS RESULT CONTINUED SLIDE OF PHOSPHATE REVENUES. GOVERNMENT REMAINS CONVINCED HOWEVER THAT ITS BORROWING AND SPENDING POLICIES ARE PRUDENTLY BASED AND WISHES TO DISPELL ANY PUBLIC MISGIVINGS RAISED BY OPPOSITION ISTIQLAL IN LONG ARTICLES ON 1 AND 8 SEPTEMBER OVER COUNTRY'S FUTURE ECONOMIC STABILITY. GOM JUSTIFIES HEAVY DOMESTIC AND FOREIGN BORROWINGS AS REALISTIC RESPONSE TO DEVELOPMENTAL NEEDS DURING RECENT PERIOD OF FINANCIAL STRINGENCY, WHILE OPPOSITION SEES INCREASED DEBT BURDEN AS UNWISE IN VIEW OF MAJOR ECONOMIC UNCERTAINTIES FACING COUNTRY. IN HIS REBUTTAL, MINISTER OF FINANCE POINTS OUT THAT ISTIQLAL ANALYSIS CHARACTERIZED BY BIASED SELECTION OF DATA, COUPLED WITH FAULTY ANALYSIS, AND ASSERTS IN FAMILIAR ELECTION YEAR STYLE THAT HE ONLY "SETTING RECORD STRAIGHT."

4. SPECIFIC SOURCING OF CONTRIBUTIONS WILL PROBABLY CONTINUE TO BE KEPT DELIBERATELY OBSCURE. WE HAVE LEARNED FROM VARIOUS SOURCES THAT THERE IS CONSIDERABLE GRUMBLING AMONG CIVIL SERVANTS OVER PRESSURE TO FOREGO ONE MONTH'S SALARY TO ENABLE GOM TO MEET LOAN REQUIREMENTS, WITH VARIOUS PUBLIC AND PRIVATE INSTITUTIONS BEING OBLIGED TO TAILOR COLLECTION METHODS TO THEIR RESPECTIVE POSSIBILITIES. METHODS RANGE FROM FLOATING EMPLOYEE LOANS REPAYABLE IN MONTHLY INCREMENTS TO FORFEITURE OF YEAR END BONUS OR COMBINATION OF BOTH. IN RURAL AREAS MANY LOCAL OFFICIALS USED THE AUTHORITY OF THEIR OFFICES TO SOLICIT CONTRIBUTIONS. EMBASSY SUSPECTS THAT COMMERCIAL BANKS WERE AFFORDED CREDIT FACILITIES BY CENTRAL BANK AND PRESSURED TO PICK UP OUTSTANDING ALLOTMENTS WHEN IT BECAME OBVIOUS TO GOM THAT
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FURTHER EXTENSION OF TIME FRAME FOR SAHARA LOAN ISSUE WOULD PROVE A POLITICAL LIABILITY. IF SO, MUCH OF INTENDED ANTI-INFLATIONARY IMPACT OF BORROWING WILL HAVE BEEN OFFSET SINCE, AS PREVIOUSLY REPORTED, LENDING GUIDELINES OF YEAR HAD ALREADY BEEN GENERALLY EXCEEDED BY COMMERCIAL BANKS. END COMMENT. END CONFIDENTIAL.
ANDERSON

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